
**INFLUENCE OF PRINCIPALS' BUDGETING
COMPETENCIES ON FINANCIAL PERFORMANCE IN
PUBLIC SECONDARY SCHOOLS IN THARAKA SOUTH
SUB-COUNTY, THARAKA NITHI COUNTY, KENYA**

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ABSTRACT

Statement of the Problem: Budgeting competencies demonstrated by principals play a significant role in enhancing financial performance in secondary schools. However, in Tharaka South Sub-county, this has not been the case, as many public secondary schools have reported instances of low and delayed financial performance.

Purpose of the Study: The purpose of this study was to examine the influence of principals' budgeting competencies on financial performance in public secondary schools in Tharaka Nithi County, Kenya.

Methodology: The study used a mixed-method approach with a concurrent triangulation design. It targeted 28 principals, 140 department heads, 28 bursars, 28 BoM Chairs, and two County/Sub-county Auditors, selecting a sample of 144 respondents through Yamane's formula. Data were collected via questionnaires for department heads and interviews for principals, BoM Chairs, bursars, and auditors. Qualitative data were analyzed thematically and presented narratively, while quantitative data were analyzed descriptively with frequencies and percentages and inferentially through regression analysis using SPSS version 25, with findings presented in tables.

Findings: The study found that financial performance in many public secondary schools in Tharaka South Sub-county remains suboptimal. Numerous cases of financial misappropriation, wastage, pilferage, and overall financial inefficiency were reported. This financial mismanagement was linked to insufficient budgeting competencies among principals. Specifically, when principals lack essential financial skills, budgets often fail to align with school objectives, resulting in fund misallocation and financial shortfalls.

Recommendations: The Ministry of Education should implement targeted professional development programs to strengthen principals' financial management and budgeting skills. These programs should cover budget forecasting, resource allocation, financial reporting, and the use of budgeting tools.

Keywords: *Financial performance, principals' budgeting competencies, public secondary schools.*

INTRODUCTION

Effective budgeting and planning positively impact the financial performance of secondary schools. Principals with strong budgeting skills can reduce inefficiencies, improve record accuracy, and promote financial prudence. Consistent with this, Chasten and Mangles (2018) highlight that secondary school principals engaged in detailed strategic planning are more likely to use formal capital budgeting techniques, such as the net present value method, which aligns with maximizing the value of school resources. Supporting this view, Mitchell (2019) noted in a Canadian study that budgeting and planning are essential due to the changing and often volatile school environment. Mitchell emphasized the importance of capital allocation in schools, particularly given limited access to capital markets, as capital budgeting decisions can influence schools for many years.

Principals' proficiency in capital budgeting can enhance schools' asset acquisition and utilization. Bartlett (2019) argues that appraising new and existing capital investment projects is fundamental to successful financial management in schools. In an ideal scenario, schools maximize their value by selecting projects with the highest net present value. Additionally, budget planning and control are instrumental in improving school performance by establishing goals and comparing actual financial performance against them through control processes. Archeier and Seibel (2019) asserted that effective working capital management ensures liquidity, enabling schools to meet short-term obligations and manage daily operations. Their findings suggest that poor working capital management among principals is a leading cause of financial issues in secondary schools, highlighting the need for training in financial management.

In Sub-Saharan Africa, many secondary school principals lack budgeting skills, making it challenging to track funding and ensure project completion. For instance, Amuseghan (2010) found in a Nigerian study that achieving educational goals largely depends on efficient planning and management of school funds by administrators. However, Amuseghan lamented that resources in Nigerian schools are often mismanaged, emphasizing that while raising funds is essential, effective utilization is equally crucial. According to Amuseghan, budgeting curtails waste and promotes accountability, as it compels school principals to adhere to approved spending estimates. Budgeting in educational institutions generally follows a structured process: planning, defense, approval, adoption, implementation, and evaluation. In Kenya,

many principals face criticism for inadequate budgeting skills from supervisors, teachers, and parents (Moses, 2010). Moses observed that Kenyan secondary school principals often fail to follow budget procedures in planning and implementation or to maintain necessary financial records. Consequently, essential repairs, science resources, and sports equipment are neglected. Omondi (2011), in a study in Kisumu East Sub-county, linked poor budgeting to the deterioration of buildings and infrastructure in many secondary schools over the past decade. Tharaka South Sub-county presents a similar scenario. Ndegwa (2021) found that budgeting becomes critical when resources like money, time, and space are limited, yet demands are extensive. Ndegwa also reported that principals' budgeting competencies in Tharaka South Sub-county are frequently criticized by teachers, supervisors, and parents, often due to a lack of technical knowledge in school management and administration. However, as Ndegwa and other studies have noted, there is still a need to explore how specific budgeting skills impact financial performance in public secondary schools, a gap that this study aims to address.

STATEMENT OF THE PROBLEM

Budgeting competencies demonstrated by principals significantly impact the financial performance of secondary schools. However, this has not been the case in Tharaka South Sub-county, where many public secondary schools have reported issues of poor and slow financial performance. A report by Ndegwa (2021) indicates that 39.7% of public secondary schools in Tharaka South Sub-county have experienced resource losses, financial mismanagement, or inefficiency. According to Ndegwa, nearly 50.3% of principals have faced reprimands, 4.4% have been interdicted, and 3.5% dismissed due to financial mismanagement and lack of accountability in their schools. These statistics highlight the severity of low financial performance in public secondary schools, which, if left unaddressed, could hinder the achievement of educational objectives. Despite these concerns, few empirical studies have investigated the extent to which principals' budgeting competencies affect financial performance in public secondary schools, underscoring the need for this study.

OBJECTIVES OF THE STUDY

The study was guided by the following objectives:

- i. To assess the status of financial performance in public secondary schools in Tharaka South Sub-county.

- ii. To examine the influence of principals' budgeting competencies on financial performance in public secondary schools in Tharaka South Sub-county.

THEORETICAL FRAMEWORK

This study was guided by the Budgeting Competency Theory, proposed by Anthony N. Robert (2004). This theory suggests that well-developed budgeting skills among financial managers or leaders enable organizations to align financial planning with strategic goals, thereby optimizing resource allocation and enhancing financial outcomes. Anthony's (2004) insights are foundational in understanding how budgeting competency impacts organizational efficiency, allowing institutions to maintain fiscal control, adaptability, and financial stability in fluctuating economic environments. The theory emphasizes principles such as goal alignment, financial literacy, resource prioritization, and adaptive management. Financial literacy involves equipping managers with essential budgeting skills, ensuring their understanding of basic concepts such as cost-benefit analysis, cash flow management, and variance analysis. Resource prioritization focuses on directing resources toward high-impact areas, while adaptive management allows budgets to adjust as external and internal factors evolve. The theory is especially relevant for organizations like secondary schools that seek to improve financial performance through strategic planning and cost control.

By fostering budgeting competency, schools can better anticipate financial challenges, adapt to changing economic conditions, and enhance decision-making processes. The study also drew on Efficiency Theory, introduced by Harvey Leibenstein (1993). This theory posits that an organization's overall effectiveness depends on its ability to convert inputs into outputs at the lowest possible cost to achieve maximum benefit. An institution's ability to accomplish more with fewer resources reflects the leadership's skill in managing funds effectively and projecting competence. Efficiency Theory emphasizes the role of operations leadership in optimizing processes and organizational activities for maximum productivity. According to this theory, principals can better manage and control their expenditures by understanding when and where costs are incurred and identifying which expenses add value. Principals can also respond to changes in demand by purposefully reallocating resources as needed.

RESEARCH METHODOLOGY

The study employed a mixed-method approach, utilizing a concurrent triangulation research design. The target population included 28 principals, 140 department heads, 28 bursars, 28 Chairs of Boards of Management (BoM), and two County/Sub-county Auditors, resulting in a sample size of 144 respondents, determined using Yamane's formula.

Data were collected through questionnaires for department heads (HoDs) and interviews with principals, BoM Chairs, bursars, and County/Sub-county Auditors. Instruments were piloted in Tharaka South Sub-county with 10% of the main sample size, involving 47 participants. Qualitative data were analyzed thematically based on study objectives and presented narratively, while quantitative data were analyzed descriptively using frequencies and percentages and inferentially through regression analysis, aided by the Statistical Package for Social Sciences (SPSS) version 25, with results presented in tables.

RESULTS AND DISCUSSIONS

This section presents the study's findings based on its objectives, including methods of presentation for the results and discussions. Regarding response rates, 90 questionnaires were administered to Heads of Departments, with 89 completed and returned. The researcher also conducted interviews with 15 principals, 15 Chairs of Boards of Management (BoM), 15 bursars, and 2 County/Sub-county Auditors, yielding the response rates shown in Table 1. The table indicates that principals achieved a response rate of 83.3%, Heads of Departments 98.9%, Chairs of BoM 83.3%, bursars 83.3%, and County/Sub-county Auditors 100.0%, resulting in an overall response rate of 94.4%. This high response rate aligns with Creswell's (2014) guideline that a response rate above 75.0% is sufficient for robust data collection.

Status of Financial Performance in Public Secondary Schools

The study sought to assess the status of financial performance in public secondary schools. Descriptive data were collected from Heads of Departments and results are shown in Table 1.

Table 1: HoDs' Views on Financial Performance in Public Secondary Schools

Test Items	Ratings				
	SA %	A %	U %	D %	SD %
Public secondary schools often waste financial resources every fiscal year	50.9	5.2	4.0	26.6	13.3
In public secondary schools, there are few instances of prudent use of financial resources	55.1	9.0	4.5	21.3	10.1
In public secondary schools, there is no accountability for the available financial resources	50.6	7.9	3.4	30.3	7.8
In public secondary schools, instances of financial inefficiency have been on the rise	48.3	7.9	4.5	31.5	7.8

The findings indicate widespread financial mismanagement in public secondary schools, with a majority of Heads of Departments (50.9%) agreeing that schools frequently waste financial resources annually. Similarly, 55.1% agreed that prudent use of funds is rare, and 50.6% highlighted a lack of accountability for financial resources. Almost half (48.3%) noted an increase in financial inefficiency, pointing to a recurrent issue in various countries. These findings align with Adofo's (2022) study, which showed that funds intended for essential services are often diverted to less critical areas, negatively impacting educational outcomes. They also support Nwagwu's (2021) assertion that improper procurement and inflated costs contribute to resource depletion without enhancing education. Harrison and Karanja (2021) further identified that while some schools use strategic financial planning effectively, these cases are exceptions. Overall, the results emphasize a pervasive issue of financial mismanagement, underscoring the need for reforms in financial governance and accountability in public secondary schools.

Thematic Analysis

During the interviews, however, the principals responded on the contrary by stating that they often ensure that there are austerity measures to be adhered to and reduce wastage of financial resources. Principal, P1, stated;

In my secondary school, I have always adopted the fiscal policies proposed by the Ministry of Education and allocate resources as per the guidelines. This has seen a reduction in wastage of resources, ensured prudent use of the same and thus, enhancing accountability. These views were echoed by the chairs of school BoM and bursars who also stated that principals have often enforced stricter adherence to fiscal policies and regulations drawn by the Ministry of Education on how funds allocated should be used.

However, on their part, the County and Sub-county Auditors stated that, despite the concerted by the principals to reduce wastage of financial resources, there are still instances of inefficiency and lack of accountability. Despite these contradictions, these findings underscore the vitality of prudent use of financial resources as key to the success of public secondary schools. However, these positive examples are eclipsed by a broader pattern of financial inefficiency. The evidence indicates that financial mismanagement is a widespread challenge in public secondary schools. With numerous instances of resource waste, limited examples of responsible financial practices, insufficient accountability, and increasing inefficiencies, there is a pressing need for reforms in financial governance and management strategies.

Principals’ Budgeting Competencies and Financial Performance in Public Secondary Schools

The study sought to examine the influence of principals’ budgeting competencies on financial performance in public secondary schools. Descriptive data were collected from Heads of Departments and results are shown in Table 2.

Table 2: HoDs' Views on Principals’ Budgeting Competencies and Financial Performance

Test Items	Ratings				
	SA %	A %	U %	D %	SD %
Public secondary school principals rarely understand budgeting planning as a way of improving financial performance	51.7	11.3	5.6	5.6	25.8
In public secondary schools, principals rarely engage other players in budgeting to improve financial performance	53.7	14.8	5.6	11.1	14.8
Public secondary school principals rarely know how to fully implement budget plans to improve financial performance	57.4	9.3	7.4	9.3	16.7
In public secondary schools, principals sometimes undertake budget monitoring and review to improve financial performance	48.1	18.5	5.6	9.3	18.5
In public secondary schools, principals rarely know how to prepare budgets to ensure that staff have their salaries in time	66.7	11.1	3.7	5.6	13.0

The findings in Table 2 reveal that a significant proportion of Heads of Departments believe public secondary school principals lack essential budgeting competencies. Over half (51.7%) strongly agreed that principals often do not understand budget planning as a tool for enhancing financial performance, with only 25.8% disagreeing. Many principals reportedly focus more on administrative and pedagogical tasks, often neglecting financial planning (Kaplan & Owings, 2019). Additionally, 53.7% of Heads of Departments agreed that principals rarely

involve others in budgeting, which limits informed decision-making and results in misaligned financial priorities (Becker & Simons, 2021). Most respondents (57.4%) also noted that principals struggle with implementing budget plans, and nearly two-thirds (66.7%) pointed out issues with salary budgeting, leading to delayed payments—a symptom of poor budgeting and cash flow management (Jones & Carter, 2020). While a fair portion (48.1%) acknowledged some effort by principals to monitor budgets, the findings underscore a widespread need for training in financial management to improve budget planning, stakeholder engagement, and overall financial performance in public secondary schools.

Inferential Analysis

The study used regression analysis to established the relationship between budgeting competencies and financial performance. Table 3 shows regression coefficients results.

Table 3: Budgeting Competencies and Financial Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	32.075	5.094		6.296	.000
Principals' Budgeting Competencies	1.400	.518	.527	2.705	.014

The linear regression analysis generated a model expressed as: Financial Performance in Public Secondary Schools = 32.075 + 0.527(Frequency of Principals' Adherence to Budgeting Procedures). This model shows a coefficient of 0.527, indicating that for each additional instance of principals adhering to budgeting procedures, financial performance, reflected by a decrease in misappropriation cases, is expected to improve by this factor. The constant value of 32.075 suggests that financial performance in public secondary schools is influenced by a range of other factors beyond budgeting competencies, such as principals' attitudes and management training.

With a p-value of 0.014 ($p < 0.05$), the analysis reveals a statistically significant relationship between principals' budgeting competencies and financial performance. Effective budgeting practices by principals ensure that resources are strategically allocated, optimizing their impact on teaching and learning. Principals with budgeting expertise can identify priority areas,

allocate funds accordingly, and prevent financial mismanagement, ultimately enhancing operational efficiency and enabling schools to achieve their objectives even within funding constraints. Furthermore, well-structured budgets contribute to fiscal stability, promoting long-term sustainability. Conversely, inadequate budgeting can lead to resource shortages, which negatively impact school performance and student outcomes, highlighting that principals' financial management directly affects overall school success.

Thematic Analysis

During the interviews, however, principals and Chairs of BoM as well as the bursars responded on the contrary by stating that public secondary school principals understand budgeting planning as a way of improving financial performance. Principal, P2, noted;

I understand what is expected of me when preparing school budget. I always do thorough planning based on the available finances and what is expected to be allocated for each votehead and how to reduce budget lines in cases of deficiencies.

County and Sub-county Auditors observed that many principals struggle with effective budget planning, aligning with Thurlow and Weber's (2020) findings that numerous school heads lack a solid understanding of budgeting processes, which impedes informed decision-making and leads to overspending or underfunding critical areas. However, principals, Chairs of BoM, and bursars contested claims of limited stakeholder involvement, emphasizing that they actively invite input from parents, heads of departments, and teachers during budget preparation. The auditors corroborated this, stating that principals are expected to engage key players, whose expertise is crucial for successful budgeting and implementation. According to interviewees, such stakeholder involvement fosters accountability and promotes prudent resource use. In conclusion, these findings reveal that while secondary school principals face significant challenges in budget planning, their limited comprehension and occasional failure to involve stakeholders hinder effective budget implementation and financial management, often resulting in budgeting shortfalls that jeopardize timely salary disbursements and overall financial stability.

CONCLUSIONS

The study findings reveal that financial performance in many public secondary schools in Tharaka South Sub-county remains stagnant. Numerous instances of financial

misappropriation, wastage, pilferage, and overall financial inefficiency have been reported. In other words, financial mismanagement is a widespread challenge in these schools. This issue is attributed to inadequate budgeting competencies among principals. When principals lack essential financial skills, budgets often fail to align with school objectives, resulting in fund misallocation and financial shortfalls.

RECOMMENDATIONS

The study recommends that the Ministry of Education should implement targeted professional development programmes that enhance principals' financial management and budgeting skills. This could involve training on budget forecasting, resource allocation, financial reporting and use of budgeting tools.

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